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With Indictments, IRS Will Get More Data From Swiss

The indictment of the Wegelin, the oldest Swiss private bank, moves the global banking transparency battle from bows and arrows to nuclear weapons. Do [Swiss bankers' nerves fray after Wegelin indictment](#)? Yes, no question.

With an indictment death knell imminent, Wegelin was sold a week ago. Founded in 1741, this was one storm it could not weather. The [Indictment Of three Wegelin Bankers](#) a month ago was the writing on the wall.

But as other banks and bankers are hand-wringing, what about Americans? Plainly, moves away from UBS and other global powers into the small and stratospherically more discrete world of private banking not only didn't work, they may have made things worse. More disclosure seems inevitable.

And while one IRS amnesty program for foreign accounts ended [September 9, 2011](#), another has since emerged. See [New IRS Offshore Amnesty Announced: Third Time's A Charm](#). Thousands who disclosed or are disclosing may be wondering if they did the right thing. Clearly yes. If you have undisclosed foreign accounts, you can still come forward to the IRS. See [It's Not Too Late To Disclose Foreign Accounts](#).



Image via edaily.co.kr

For those still on the lam, most people seem to believe that the increasingly global reach of the IRS is not going to wither. If anything, it is getting stronger. [FATCA's](#) new set of disclosure rules puts a huge number of foreign institutions in the IRS compliance crosshairs. See [Expats Call For FACTA Repeal](#).

Hit List? UBS may have passed through the worst of its fisticuffs with the IRS. Even [HSBC](#) may think its tax headaches are largely in the rearview mirror. Beyond Wegelin, now it's [Credit Suisse's](#) turn with the IRS and federal prosecutors. See [Credit Suisse Is 'Target' of Inquiry](#) and [Credit Suisse In Justice Department Crosshairs](#). The U.S. has made overtures to 11 banks. See [IRS Makes Swiss Cheese Of Swiss Banks](#).

New Tax Treaty? Meanwhile, the Swiss may be less receptive to additional IRS inroads. In particular, a new bilateral U.S.-Swiss tax treaty to further erode Swiss banking privacy must be avoided, said [Swiss Bankers Association](#) Chairman Patrick Odier. There are already two bilateral double taxation agreements between the countries.

Switzerland may be looking for more cooperation from the U.S. government rather than protracted negotiations or, God forbid, additional indictments. Mr. Odier pointed to the recent tax agreements Switzerland reached with Germany and the United Kingdom.

Negotiations between the U.S. and Switzerland, however, were not as successful. Under pressure from the DOJ, Credit Suisse surrendered statistical data on American account holders to U.S. authorities on September 11, 2011. The bank refused to elaborate on what this "statistical data" entails, but has informed its U.S. private banking clients that their information has been subject to disclosure.

In late November, Credit Suisse folded its [Zurich-based unit](#) into its onshore U.S. operation, a move symbolic of the larger retreat by Swiss banks from overseas transactions for U.S. clients. In December, U.S. officials offered Credit Suisse, along with 10 other major Swiss banks, [a deal](#) that would allow them to evade criminal prosecution in exchange for disclosing full information on their U.S. offshore business. Most did, albeit with encrypted data.

From any vantage point, it's hard not to see Swiss law as a shadow of its former self. There seem to be fundamental conflicts between what the

IRS expects and the traditions of Swiss banking law. Yet it also seems clear that the Swiss can find ways of honoring their own legal traditions and at the same time placating the IRS and Justice Department.

After all, a Swiss court considered if UBS's disclosure of account holder names in 2009 was legal. No problem, said the Swiss court, [ruling](#) on July 15, 2011 that it was. See [Swiss court says it was right to give U.S. bank data](#). That surely won't be the last court proceeding in the U.S. or Switzerland to bubble up out of the ongoing debate.

For more, see: [Swiss Bank Indicted on U.S. Tax Charges](#)

[Press Release: U.S. Charges 3 Swiss Bank Employees With Aiding Tax Evasion](#)

[Swiss Bankers Charged With Conspiring to Hide More Than \\$1.2B From The IRS](#)

[No new treaty for U.S. tax deal-Swiss bankers group](#)

[Can A Prosecutor Make You Cough Up Your Offshore Account?](#)

[Swiss Court Backs Regulator Over Handover of UBS Data To U.S.](#)

[Credit Suisse Is Target of U.S. Justice Probe of Private-Banking Services](#)

[U.S. weighs Credit Suisse tax evasion charges-sources](#)

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